

Message Text

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PAGE 01 STATE 056456
ORIGIN OES-06

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TO AMEMBASSY WARSAW

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E.O. 11652: N/A

TAGS: OSCI, TGEN, PL

SUBJECT: SFCP: US COUNTERSIGNER SUPPORT
SBJ: SFCP: US COUNTERSIGNER SUPPORT
REF: (A) WARSAW 1523; (B) WARSAW 1678

1. DEPARTMENT APPRECIATES REPORT OF MEETING BETWEEN DCM
AND SCIATT WITH PAWLISZEWSKI MARCH 1 AND STRONG ARGUMENTS
MADE ON BEHALF OF SETTLING COUNTERSIGNER SUPPORT QUESTION
(REF A).

2. PAWLISZEWSKI'S REMARKS ON COUNTERSIGNER SUPPORT SEEM IN-
CONSISTENT WITH OUR UNDERSTANDING OF POLISH POSITION IN
DISCUSSIONS IN WARSAW IN JUNE AND OCTOBER, AND AS SET DOWN
IN THE DECEMBER 11 AGREEMENT. WE BELIEVE THAT ONLY THE
AMOUNT OF COUNTERSIGNER SUPPORT IS IN QUESTION, NOT THE
PRINCIPLE INVOLVED. WHILE EMBASSY IS PROBABLY CORRECT THAT
NO IMMEDIATE CHANGE IN THE POLISH POSITION IS LIKELY, THE
JOINT BOARD MEETING WILL NEVERTHELESS AFFORD AN OPPOR-
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TUNITY FOR CLARIFYING THIS POINT AND ATTEMPTING TO REACH
AGREEMENT.

3. WE SEE NO LEGAL WAY THAT THE 3 MILLION ZLOTYS DESIGNATED
FOR US-FINANCED COUNTERSIGNER SUPPORT CAN, AS A COMPROMISE,
BE PLACED IN A BANK ACCOUNT CONTROLLED BY THE COUNTER-

SIGNER, AS EMBASSY SUGGESTS. HOWEVER, IF POLES PERSIST IN DISAPPROVAL OF COST ESTIMATE FOR THESE EXPENSES, A WORKABLE ALTERNATIVE IS TO WITHHOLD DEPOSIT OF THESE ZLOTYS INTO THE JOINT FUND AND FOR DISBURSING OFFICER TO PAY COUNTERSIGNER SUPPORT COSTS IN A MANNER SIMILAR TO WAY ALL SUPPORT ITEMS SUCH AS TRAVEL, PER DIEM AND TRANSLATIONS WERE PAID PRIOR TO DECEMBER 11 AGREEMENT. EVEN THIS PROCEDURE IS DEPENDENT ON POLISH INSTITUTIONS SIGNING PROJECT AGREEMENT INCLUSIVE OF THESE COSTS.

4. SUCH A PROCEDURE WOULD, OF COURSE, DEPRIVE JOINT FUND OF MATCHING 3 MILLION ZLOTYS FROM POLES. IT IS UNCLEAR TO US WHETHER POLISH MOTIVATION IN DISAPPROVING SIZE OR NATURE OF COUNTERSIGNER SUPPORT COSTS RESTS ON THEIR PREFERENCE TO SEE OUR 3 MILLION ZLOTYS GO INTO RESEARCH INSTEAD OF ADMINISTRATION OR ON THEIR WISH TO SAVE THEIR OWN MATCHING FUNDS.

5. PAWLISZEWSKI'S STATEMENT QUOTED IN PARA 3 IN REF (A), THAT HE IS NOT COMPETENT TO WORK OUT ARRANGEMENT OUTSIDE OF JOINT BOARD CONTEXT, IS SOME EVIDENCE THAT HE MAY NOT HAVE CHANGED HIS EARLIER POSITION AND HENCE IS NOT OPPOSED IN PRINCIPLE; THUS PROGRESS AT THE JOINT BOARD MEETING APPEARS POSSIBLE.

6. COUNTERSIGNER SUPPORT IS HARDLY A SUBSIDIARY ISSUE TO THE OPERATION OF THE JOINT PROGRAM. THE VOLUME OF BUSINESS, CORRESPONDENCE AND TRAVELERS BETWEEN OUR TWO COUNTRIES ABSOLUTELY DEMANDS ADEQUACY OF FUNDS FOR LIMITED OFFICIAL USE

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ADMINISTRATIVE BACK-UP IN ORDER THAT PROGRAM MAY BE CARRIED OUT EFFECTIVELY.

7. WE CANNOT ACCEPT PAWLISZEWSKI'S CRITICISM THAT THE US SIDE HAS FAILED TO OBLIGATE THE FULL AMOUNT OF ZLOTYS BY DECEMBER 31. UNDER THE 1974 AGREEMENT, THE USG UNDERTOOK TO MAKE EVERY EFFORT TO DEPOSIT THE FULL AMOUNT. THESE EFFORTS HAVE BEEN MADE IN GOOD FAITH; THE EXACT TOTAL IS NOT KNOWN YET. THE USG IN DUE COURSE WILL FULLY ACCOUNT FOR ITS CONTRIBUTION,

INCLUDING THE CONSIDERABLE FUNDS WITHHELD FOR TRAVEL AND SUPPORT THAT WERE EXPENDED DIRECTLY BY THE USG ON THE PROGRAM.

8. WE ALSO BELIEVE THAT PAWLISZEWSKI'S HARSH CRITICISM OF ERDA'S DELAY IN IMPLEMENTING THE COAL RESEARCH AGREEMENT IS UNFAIR. HE SHOULD BE AWARE THAT, UNLIKE OTHER US AGENCIES, ERDA IS A NEWCOMER IN THE SFCP FIELD AND

NEEDS SOME TIME TO MASTER THE COMPLEX ADMINISTRATIVE

PROCEDURES AND DOCUMENTATION INVOLVED IN INTERNATIONAL PROGRAMS IN GENERAL AND OUR COOPERATIVE PROGRAM WITH POLAND IN PARTICULAR, ESPECIALLY IN VIEW OF THE SUBSTANTIAL SUM INVOLVED.

9. WE ARE UNIMPRESSED BY REFERENCE TO SOLELY "POLISH CONCESSIONS" AND TO STEADY EROSION OF THE SPIRIT AND LETTER OF THE 1974 AGREEMENT BY THE USG. THE POLES HAVE THEMSELVES CREATED SIGNIFICANT PROBLEMS IN THE JOINTLY-FUNDED PROGRAM. UNTIL APRIL 1976 THEY WOULD NOT AGREE TO DEPOSITS IN THE JOINT FUND, WITH CONSEQUENT POLISH MATCHING, OF THE PER DIEM EXPENSES OF AMERICANS. THEY INSTITUTED SPECIAL CHARGES WHICH HAD NOT BEEN CHARGEABLE TO THE USG FOR RESEARCH PROJECTS PRIOR TO JOINT FUNDING, AND WHICH IN EFFECT REDUCED THEIR MATCHING OF USG FUNDS. LIMITED OFFICIAL USE

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THEY LEFT THE BURDEN OF RESOLVING MEANS OF MEETING CONVERTIBLE EXCHANGE COSTS OF TRAVEL FOR PROJECTS FINANCED FROM POLISH CONTRIBUTIONS TO THE JOINT FUND ENTIRELY AT THE DOORSTEP OF THE USG; AND MORE RECENTLY THEY HAVE BY OBVIOUS CENTRAL DIRECTION STOPPED POLISH INSTITUTION SIGNATURE OF PROJECT AGREEMENTS CARRYING ADMINISTRATIVE EXPENSE FUNDS, THEREBY DELAYING THE DEPOSIT OF SIGNIFICANT AMOUNTS IN THE JOINT FUND.

10. IN THE PAST, PAWLIZEWSKI HAS COMPLAINED THAT THE USG COMMITTED ALL ITS FUNDS TO SPECIFIC PURPOSES BEFORE MAKING DEPOSITS IN THE JOINT FUND, AND NOW WANTS TO PARTICIPATE IN THE DETERMINATION OF USES FOR POLISH DEPOSITS, AND HE HAS ALSO COMPLAINED ABOUT THE DECEMBER 31, 1976 TERMINATION OF THE TIME-TABLE FOR NEW USG COMMITMENTS. THE FACTS ARE THAT NO USG FUNDS WERE COMMITTED FOR SPECIFIC PROJECTS WITHOUT POLISH CONCURRENCE, AND THEREFORE AMERICAN CONCURRENCE IN THE COMMITMENT OF POLISH DEPOSITS FOR SPECIFIC PROJECTS IS AN ENTIRELY REASONABLE QUID PRO QUO. AND, EVEN THE FULL OBLIGATION OF USG FUNDS BY DECEMBER 31, 1976, FORCED BY THE PREMATURE DISCONTINUANCE OF THE EXCESS DESIGNATION FOR POLISH ZLOTYS, WAS IN FULL ACCORD WITH THE GANLEY-CHOWANIEC OCTOBER 7, 1974 EXCHANGE OF LETTERS IN WHICH IT WAS AGREED THAT OUR PLEDGE OF FOUR APPROXIMATELY EQUAL ANNUAL INSTALLMENTS WOULD NOT BE CONSTRUED AS PREVENTING US FROM DEPOSITING IN THE JOINT FUND MORE THAN TWENTY-FIVE PERCENT IN ANY ONE OF THE FIRST THREE YEARS. DURING NEGOTIATIONS, THE POLISH SIDE WAS INTERESTED IN THE EARLIEST POSSIBLE DEPOSIT OF USG FUNDS. THIS IS EXACTLY WHAT WE HAVE PERFORMED.

11. THE USG MADE A MAJOR CONCESSION BY AGREEING IN THE DECEMBER 11, 1976 AGREEMENT THAT IT WOULD PROVIDE UP TO \$1,250,000 DOLLARS FOR INTERNATIONAL AIRFARES FOR PROJECTS SIGNIFICANTLY FUNDED FROM BOTH POLISH AND LIMITED OFFICIAL USE

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AMERICAN CONTRIBUTIONS TO JOINT FUNDING. TO DATE, THIS HAS NOT BEEN MATCHED BY ANY EQUIVALENT CONCESSION FROM THE POLISH SIDE. WE DO NOT CONSIDER THAT THE FACTS PROVIDE A BASIS FOR ANY SIGNIFICANT CRITICISM BY THE POLES OF USG PERFORMANCE.

12. OUR UNCERTAINTY WHETHER PAWLISZEWSKI'S OBJECTION IS TO THE NATURE OR THE COST OF THE COUNTERSIGNER SUPPORT IS HEIGHTENED BY THE REPORT OF HIS NEGATIVE REMARKS ON THE EXCESSIVE EXPENSES AND THE PURCHASE OF AN AUTOMOBILE. IN RELATION TO HIS POINT IN (C), FOR THE LEGAL REASON CITED EARLIER WE CANNOT AGREE TO TRANSFER OF VISITOR-RELATED RESPONSIBILITIES TO THE INDIVIDUAL POLISH INSTITUTIONS. PAWLISZEWSKI IS MISTAKEN WHEN, AS SET FORTH IN POINT (D), HE TERMS JOINT FUND-RELATED ACTIVITY A SMALL ADJUNCT OF THE PL-480 PROGRAM; IT IS NOW THE MAJOR ACTIVITY. FINALLY, SINCE THE POLISH FINANCE MINISTRY HAS ALREADY CLEARED THE CONCEPT OF COUNTERSIGNER SUPPORT BY SIGNING THE DECEMBER 11 AGREEMENT, WE DO NOT UNDERSTAND THAT POLISH LAWS MAY NOT PERMIT GRANTING THE PACKAGE AS HE CLAIMS IN POINT (E).

13. IN CLARIFICATION OF OUR OBJECTION TO A COUNTERSIGNER-CONTROLLED BANK ACCOUNT, WE POINT OUT THAT FUNDS PROCESSED THROUGH THE JOINT FUND LOSE THEIR CHARACTER AS U.S.-OWNED CURRENCY, BUT THAT FUNDS NOT PROCESSED THROUGH THE FUND REMAIN U.S.-OWNED. UNDER U.S. LAW AND REGULATION, U.S.-OWNED FUNDS MAY BE HELD AND DISBURSED ONLY BY THE U.S. DISBURSING OFFICER, AS THE AGENT OF THE U.S. TREASURY. THEREFORE, THE COUNTERSIGNER CANNOT DISBURSE FUNDS FROM A SEPARATE ACCOUNT OF U.S.-OWNED ZLOTYS. IF PROJECT AGREEMENTS SO PERMIT, FUNDS FOR COUNTERSIGNER EXPENSES MAY BE WITHHELD FROM DISBURSEMENT TO JOINT FUND, AND DISBURSED BY USDO FOLLOWING COMPETENT CERTIFICATION, AS WAS THE CASE WITH PER DIEM AND AIR FARE PAYMENTS FOR AMERICANS PRIOR TO THE DECEMBER 11 AGREEMENT. EMBASSY LIMITED OFFICIAL USE

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COMMENT IS REQUESTED AS TO WHAT MODIFICATIONS MIGHT BE

NECESSARY IN PROPOSED ARRANGEMENT FOR HANDLING COUNTER-SIGNER SUPPORT COSTS AS DISCUSSED WITH ROOT AND WHITENER IN OCTOBER IF IMPLEMENTED WITH U.S.-OWNED ZLOTYS IN PLACE OF JOINT BOARD ZLOTYS.

14. EMBASSY MAY WISH TO REMIND POLES THAT UNTIL PROJECT AGREEMENTS ARE SIGNED BY BOTH SIDES, NO FUNDS OBLIGATED THEREUNDER CAN BE DRAWN UPON, REGARDLESS OF DISPOSITION OF COUNTERSIGNER SUPPORT ISSUE. IMPASSE COULD POSSIBLY BE RESOLVED IF POLES AGREED TO SIGN WITH UNDERSTANDING COUNTERSIGNER SUPPORT FUNDS WOULD NOT BE DEPOSITED UNTIL THE JOINT BOARD APPROVES A BUDGET FOR THE EXPENSES OF THE COUNTERSIGNER.

15. OUR VIEWS ON PAWLISZEWSKI'S SUGGESTION FOR PRE-JOINT BOARD MEETING AND REQUEST FOR FORMAL LETTER (REF (B)) WILL BE DISCUSSED IN SEPTEL.
VANCE

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Message Attributes

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Decaption Date: 01-Jan-1960 12:00:00 am
Decaption Note:
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Disposition Approved on Date:
Disposition Case Number: n/a
Disposition Comment: 25 YEAR REVIEW
Disposition Date: 22 May 2009
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